



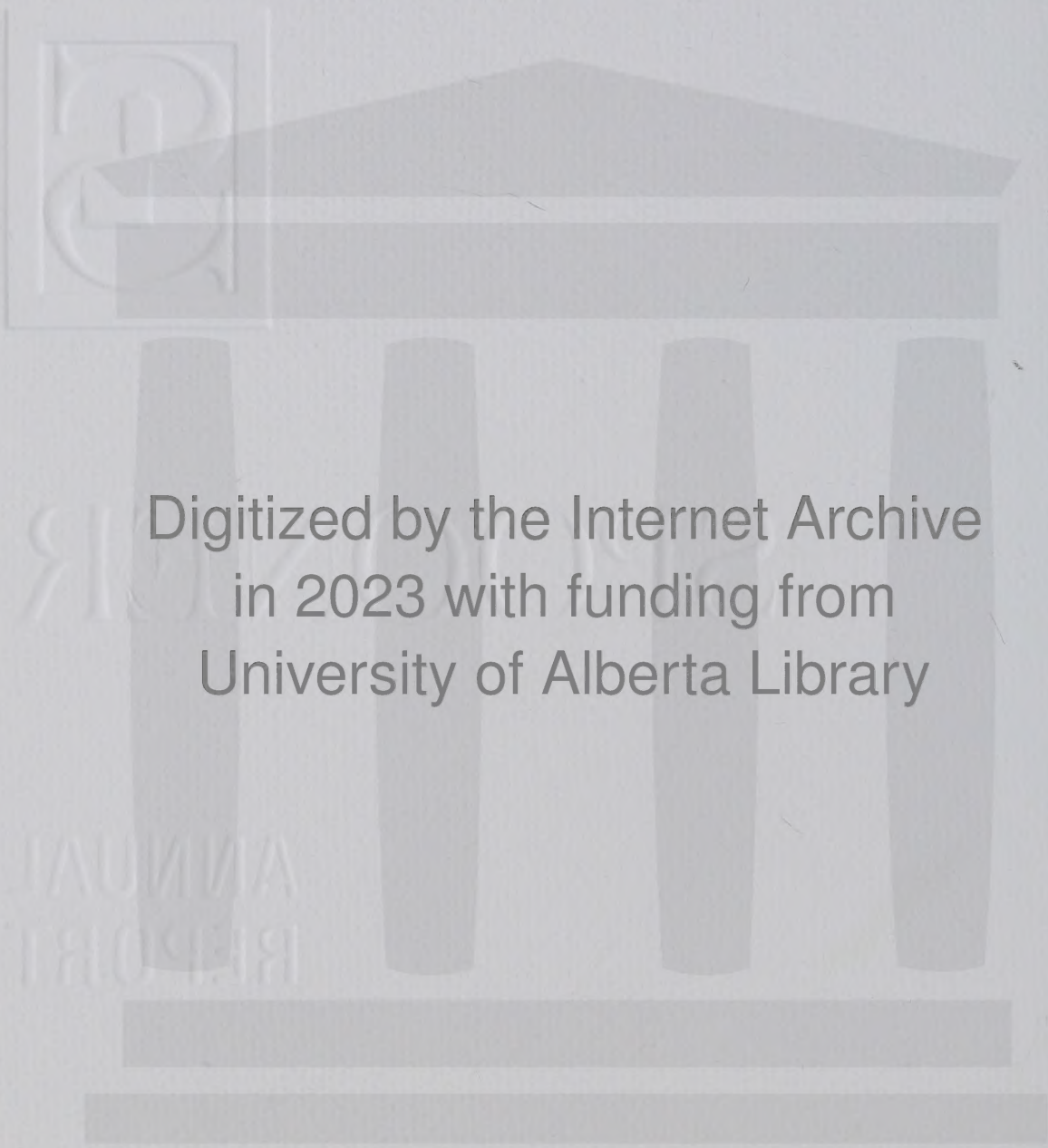
SPooner MINES AND OILS LIMITED

SPOONER

MINES AND OILS LIMITED

ANNUAL REPORT

**FOR THE YEAR ENDED
JUNE 30th 1969**



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SPOONER

MINES AND OILS LIMITED

HEAD OFFICE Suite 607, 80 Richmond Street West,
Toronto 1, Ontario.

**PETROLEUM DIVISION
OFFICE** 410 Alpine Building,
635 - 6th Avenue S.W.,
Calgary, Alberta.

**MINING DIVISION
BRANCH OFFICES** Suite 102, 402 West Pender Street,
Vancouver, B.C.

351 South Wells Avenue,
Reno, Nevada 89502, U.S.A.

Box 22-B,
Bank of New South Wales,
Perth, Western Australia.

DIRECTORS Maxwell Bruce, Q.C. *Toronto, Ontario*
L. Christensen *Calgary, Alberta*
V. N. Harbinson *Toronto, Ontario*
A. D. Hellens, MC *Toronto, Ontario*
Adolph Lundin *Geneva, Switzerland*
W. L. Matthews *Toronto, Ontario*
V. A. Oille *North, Virginia, U.S.A.*

OFFICERS V. N. Harbinson *President*
F. D. Corman *Executive Vice-President*
V. A. Oille *Vice-President (Mining)*
L. Christensen *Vice-President (Petroleum) and
Assistant Secretary*
T. O. Oliver *Vice-President*
James R. Keighley *General Manager — Exploration*
C. C. Daly *General Manager — Petroleum*
J. B. Sage *Assistant to the President*
M. D. Wark *Secretary*
R. C. Kilgour, F.C.A. *Treasurer*
H. Wilton-Clark *Assistant Treasurer*
K. J. Anderson *Assistant Treasurer*

**TRANSFER AGENT
AND REGISTRAR** Crown Trust Company,
Toronto, Ontario
Calgary, Alberta
Vancouver, British Columbia

SHARE LISTINGS Toronto Stock Exchange
Vancouver Stock Exchange

ANNUAL MEETING Wednesday, December 3rd, 1969,
3:45 p.m. at Board of Trade Building,
Room 5, 11th Floor,
11 Adelaide Street West,
Toronto, Ontario



SPOONER MINES AND OILS LIMITED

DIRECTORS' REPORT

To the Shareholders:

Your directors are pleased to submit the annual report of the Company for the year ended June 30th, 1969, together with the financial statements and Auditors' Report thereon.

The Company has continued to expand its oil and mining exploration interests as more fully set out hereunder.

MINING DIVISION

State of Maine, U.S.A.

The programme of mineral exploration by the Humble Oil & Refining Company of Houston, Texas, and Spooner has continued since its inception in September 1967.

The work in 1969 has been devoted mainly to ground evaluation of electro-magnetic features detected through the aerial survey completed in 1968, as well as of geochemical anomalies resulting from broad scale reconnaissance stream sediment surveys. More than 35 large grids have been established to provide survey control for intensive geophysical and geological investigation. The data collected from these investigations will determine core drilling priority for the coming winter and spring. Currently one drill has commenced in the Black Pond area and at least one more drill will soon be added to the overall project.

As provided for in the Humble-Spooner agreement, Humble has now earned a 75% interest

in the exploration lands. The remaining 25% interest is protected for Spooner.

State of New Hampshire, U.S.A.

During 1969 Spooner on its own account has continued the regional exploration programme in western Maine and New Hampshire which began in 1968. Detailed work has been carried out in three areas of New Hampshire and in several adjacent townships in Maine.

Preliminary data indicates the possibility of extensive low-grade base metal mineralization in two areas. Further investigation is in progress.

Western U.S.A.

The Company has established an office in Reno, Nevada, U.S.A., and numerous base metal and precious metal prospects have been optioned or staked in Nevada and surrounding States. A programme of ground evaluation is now in progress covering eleven prospect areas, which aggregate in excess of 70,000 acres.

Ungava Area, Quebec

The Company has recently acquired by staking for its own account 48,000 acres covering several gossan zones containing copper-nickel mineralization. Mineralization is widespread with surface sampling over one zone indicating widths of 100 feet averaging 1½% combined copper-nickel. A broad exploration programme involving a major company is planned for 1970.

AR20

**SPOONER MINES AND OILS
LIMITED**

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INTERIM REPORT

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Six Months Ended

December 31

1969

SPOONER MINES

STATEMENT OF SOURCE A

For the Six Months En
(With Comparative Figu
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Source of Funds

Operating profit from oil and gas opera
Sale of investments
Issue of capital stock under employee o
Interest earned
Other items

Application of Funds

Operating loss from oil and gas operatio
Administrative expenses
Oil and gas lease and development expe
Advances for mining development in Me
Mining expenditures
Mining claims acquisitions — Ungava
— Sturgeon
Interest in prospecting syndicates
Purchase of shares in other companies
Repayment of advances from other com
Other items

Increase (decrease) in working capital

Working Capital as at June 30th

Working Capital as at December 31st

Toronto, Ontario
February 13, 1970

ND OILS LIMITED

APPLICATION OF FUNDS

December 31, 1969
to December 31, 1968)
ed)

	<u>1969</u>	<u>1968</u>
.....	\$ —	\$ 11,243
.....	7,000	180,168
S	—	41,649
.....	30,503	11,816
.....	3,769	2,831
	<u>41,272</u>	<u>247,707</u>
.....	16,455	—
.....	42,360	28,424
ures	128,138	5,540
.....	—	88,010
.....	162,981	55,472
.....	79,000	—
e	40,000	—
.....	—	25,833
.....	—	3,233
es	27,500	—
.....	—	358
	<u>496,434</u>	<u>206,870</u>
.....	(455,162)	40,837
.....	1,419,585	221,011
.....	<u>\$ 964,423</u>	<u>\$261,848</u>

Approved on behalf of the Board:

V. N. HARBINSON, Director

L. CHRISTENSEN, Director



SPOONER MINES AND OILS LIMITED

DIRECTORS' REPORT

To the Shareholders:

Your directors are pleased to submit the annual report of the Company for the year ended June 30th, 1969, together with the financial statements and Auditors' Report thereon.

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interests

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Underwater Exploration

It is proposed to establish a new Canadian company to be known as Comex-Spooner Under-sea Minerals Limited which would bring together the underwater and other technical facilities offered by Compagnie Maritime d'Expertise (Comex) and the geological and mining knowledge of a few selected companies. Comex has established a world-wide reputation for deep sea diving, holds the world's diving record of 1,200 feet and, more important, for working at record depths of 600 feet. To date Comex has been carrying out contour work and underwater construction for major oil companies in their offshore drilling operations. The new company's activities will be in the underwater metal prospecting and mining field. Spooner intends to take a substantial minority position in the new company.

Western Australia

A new wholly-owned Australian subsidiary is being formed with headquarters in Perth. Mr. G. McCandless, B.Sc. (Geology), has been retained and is presently on location.

Other

The Company has

(a) a 7.1% interest in Muscox Mines Limited which holds over 600,000 acres of mineral rights on Victoria Island, Northwest Territories. A \$500,000 programme for 1969 is just being completed and a report and analysis of the undertaking is expected within six weeks;

(b) a 10% working interest in 368 claims in 15 separate groups where a number of native sulphur occurrences were prospected in 1968 on Axel Heiberg Island, Sverdrup Basin, Northwest Territories. Some of these occurrences

showed possibility of good grade and dimensions and are to be further prospected; and

(c) approximately 20% of the issued capital of New Quebec Mining and Exploration Limited, which holds large prospecting concessions on the west coast of Greenland. A limited exploration programme was scheduled for the past season.

To date no progress has been made in the negotiations on the financing of the Mexican silver project. No Spooner funds were expended on this project in 1969.

The Company has recently acquired claims near the new base metal discovery by Mattagami Lake Mines Limited, in the Sturgeon Lake area of Ontario. This find appears to be of major importance.

On the Athabaska Sandstone Permit, Saskatchewan, work is underway under the direction of Scintrex Ltd.

In view of the expanding commitments in mining, the company is pleased to announce the appointment of James R. Keighley, B.Sc. (Mining Geology), as General Manager — Exploration.

PETROLEUM DIVISION

Rainbow Area (Alberta)

(1) Capella (5%)

Land: 640 acres. An oil well was completed and equipped late last spring. Production tests will commence in December or as shortly after freeze-up as possible. Over 250 feet of gross reef pay was encountered in this well.

(2) South Sousa and East Sousa (5% in each)

Land: 1,920 acres. Drilling of at least one

well in each of the two locations is to commence before January 1st, 1970.

(3) **Melvin and Hay River Areas**

These basins are up-dip and on strike of the Rainbow pools. Geologically, conditions are analogous to those of the Rainbow field. The Company has the right to earn an interest in at least 10 reef projects in these areas. A minimum of \$300,000 of additional seismic work has been committed and a minimum four wells will be drilled this winter. Spooner can earn up to a 24.375% interest. Standard Oil of California (Chevron) holds a 25% working interest in the Melvin area.

With the exception of the Capella well, Spooner is the manager-operator of the above projects, all of which are farmouts from Imperial Oil Enterprises Ltd. Primary target is the Keg River Reef.

Shunda Lake

(West Strachan Area — Alberta) — 10%

An additional \$60,000 of seismic has recently been completed on this project. As a result, additional corridor lands were successfully bid-in at a recent Crown sale adding to the original 7,680 acres. This is a sour gas project with the Mississippian formation at approximately 12,000 feet as the objective. A well location has been selected and drilling is to commence November 21st. The farmor of the lands is Imperial Oil Enterprises Ltd. This is a first-class prospect and Spooner is the manager-operator.

East Dodsland Area (Saskatchewan) — 50%

Land: 110,000 acres. Under the terms of a farmout agreement from Norpet Oils Ltd. et al, Spooner agreed to drill four wells; two to the Viking formation, one to the Mississippian and

one to the Devonian. The two Viking wells have recently been completed as oil wells and production tests are to commence this month. Seismic work has recently been completed by the Company on the northern sector of the acreage and favourable locations have been selected whereby the other two wells will be spudded in before November 30th. An additional three Viking wells are budgeted for next year. Spooner is the manager-operator.

West Plato Area (Saskatchewan) — 50%

Land: 19,800 acres. Spooner acquired these lands from the Canadian National Railway and Highwood Northern Oils Ltd. One well in the northern sector was recently drilled on a unitized block with Husky Oil Ltd. but was subsequently abandoned. An additional well to test an apparent structure in the southern sector of the acreage is planned for this winter. Spooner is the manager-operator.

Cayuga Area (Saskatchewan) — 10%

The well referred to in the July 8th, 1969 progress report was drilled and abandoned as a dry hole.

Arctic Oil Project

Recent discoveries in the Prudhoe Bay area off the north slope of Alaska have focused attention on the oil and gas potential in the Canadian Arctic Islands where Spooner holds interests as set out below.

Under an agreement with Panarctic Oils Limited, the Company's undernoted acreage was farmed out to Panarctic whereby the latter could earn a 75% interest therein by drilling a minimum of 42,000 feet of hole in five wells.

Island	Geological Setting	Acreage	% Interest	Estimated Thickness of Sediments
Prince of Wales	Arctic Lowlands	972,764.5	2.9522	10 to 20,000'
Bathurst	Franklinian	160,415.0	2.1164	up to 35,000'
	Myogeosyncline	2,360,387.5	2.9522	
Ellef Ringnes	Sverdrup Basin	460,764.0	2.9522	up to 60,000'
Amund Ringnes	Sverdrup Basin	75,972.0	2.9522	up to 60,000'
		4,030,303.0		

Recently Panarctic Oils Limited stated that current drilling on Melville Island had established the presence of hydrocarbons.

Other

Spooner, in association with other oil companies, is completing negotiations on several exploration and production projects in the foothills area of western Alberta. Total project costs are estimated at an initial five million dollars. The primary objective is the discovery of natural gas. Spooner will have a 5% working interest with an option on an additional 5%.

General

In most of the above-mentioned oil prospects, the landowners have the right, after certain requirements of Spooner and others have been met, to a "back-in" arrangement, whereby the landowners may receive a certain working interest or royalty which may vary in each area. In some instances, an abatement of the acreage is necessary and, in certain cases, both events may occur.

In view of the increasing emphasis on petroleum exploration, your Company is pleased to report that C. C. Daly, P.Eng., has accepted the position of General Manager — Petroleum; and that M. Aydin, Ph.D., and John J. Knebles,

Jr., P.Geol., have been retained as consultants on certain of the above projects.

FINANCIAL

On April 15th, 1969, an offering of 225,000 shares of the Company's capital stock was made on the floor of The Toronto Stock Exchange at a fixed price of \$4.90 per share from which the Company realized \$1,102,500. Working capital at June 30th, 1969 was approximately \$1,400,000 exclusive of investments. The Company's working capital provides a strong financial base for current and future exploration programmes. However, if the results of the above projects are favourable, additional funds will be required for further development and your Board of Directors is confident that satisfactory financial arrangements can then be made.

CONCLUSIONS

The advice and support of the directors, officers and consultants have done much to advance the affairs of Spooner during the past year, and are gratefully acknowledged.

If you are unable to attend the Annual Meeting, notice of which is enclosed, will you please sign and return the accompanying form of proxy.

On behalf of the Board.

V. N. HARBINSON,
President.

Toronto, Canada,
November 6, 1969.

**SPOONER M**

(Incorporated in

BALANCE SHEET

(with comparative

ASSETS**CURRENT ASSETS**

	1969	1968
Cash and short term deposits	\$1,215,020	\$ 154,987
Accounts receivable	58,222	58,564
Demand note receivable — 7½ %	100,000	
Marketable securities, at cost (quoted market value, 1969, \$18,965; 1968, \$10,063)	11,784	2,796
Consolidated Factors Corporation Limited 9% note due June 30, 1968 (note 1)	35,000	
Deposits and prepaid expenses	32,371	26,012
	<u>1,452,397</u>	<u>242,359</u>

INTEREST IN OTHER COMPANIES

Shares in Vestgron Mines Limited, at cost		42,124
Shares in Muskox Mines Limited, at cost	76,876	
Company controlling mining properties in Mexico		
Shares, at cost	92,638	92,638
Advances		273,036
Consolidated Factors Corporation Limited		
Shares, at cost	17,813	17,813
\$95,000 — 9% note due June 30, 1968 (note 1)		95,000
\$300,000 7½ % Convertible debentures of Kodiak Petroleums Ltd., at cost (note 2)	294,000	294,000
Shares in New Quebec Mining and Exploration Limited (note 3) ..	99,054	109,266
Other shares, at cost or less	31,157	32,040
	<u>611,538</u>	<u>955,917</u>
	<u>262,921</u>	<u>304,817</u>

OIL AND GAS INTERESTS (note 4)**OTHER ASSETS AND DEFERRED EXPENDITURES**

Advances for mining development in Mexico		
Recoverable from associated companies		89,812
Recoverable out of future profits from mining operations		121,097
Advances to associated company for which shares may be received, less amounts written off	50,000	
Advances to New Quebec Mining and Exploration Limited for mining exploration program	4,434	
Interest in prospecting syndicates, at cost	7,409	15,380
Mining exploration expenditures deferred	297,138	209,548
Automobile and office equipment, at cost less accumulated depreciation ..	4,526	2,545
	<u>363,507</u>	<u>438,382</u>
	<u>\$2,690,363</u>	<u>\$1,941,475</u>

AND OILS LIMITED

s of Canada)

JUNE 30, 1969

(June 30, 1968)

LIABILITIES

CURRENT LIABILITIES	1969	1968
Accounts payable and accrued liabilities	\$ 32,812	\$ 21,348
SHAREHOLDERS' EQUITY		
Capital stock (note 5)		
Authorized — 8,500,000 shares without par value		
Issued — 7,440,165 shares (1968 — 7,173,265 shares)	3,389,525	2,227,655
Deduct deficit	731,974	307,528
	<u>2,657,551</u>	<u>1,920,127</u>
Contingent liability (note 6)		
	<u>\$2,690,363</u>	<u>\$1,941,475</u>

Approved by the Board:

V. N. HARBINSON, Director.

W. L. MATTHEWS, Director.

AUDITORS' REPORT

To the Shareholders of
Spooner Mines and Oils Limited

We have examined the balance sheet of Spooner Mines and Oils Limited as at June 30, 1969 and the statements of income, deficit, mining exploration expenditures deferred, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
October 6, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants



SPOONER MINES AND OILS LIMITED

STATEMENT OF INCOME

YEAR ENDED JUNE 30, 1969

(with comparative figures for the previous year)

INCOME	1969	1968
Oil and gas production		
Sales of crude oil and natural gas	\$ 35,908	\$ 71,334
Deduct		
Royalties	7,440	18,328
Production expenses, including Calgary office expenses of \$22,900 in 1969 and \$20,083 in 1968	33,074	37,592
Depletion of lease costs and development expenditures (note 7) ...	7,034	8,402
Depreciation of production equipment (note 7)	1,652	4,422
	<u>49,200</u>	<u>68,744</u>
	(13,292)	2,590
Other income		
Royalties received less depletion of \$390 in 1969 and \$305 in 1968	1,319	1,089
Interest earned	44,995	33,168
	<u>46,314</u>	<u>34,257</u>
	<u>33,022</u>	<u>36,847</u>
EXPENSES		
Administrative and general		
Management and rent	18,000	15,550
Legal and audit	14,189	10,597
Stock exchange listing and filing fees	3,714	1,301
Directors' fees	450	1,000
Share transfer expense	8,775	9,768
Travel	16,171	3,044
Telephone and telegraph	2,482	2,213
Annual meeting and financial reports	17,259	7,504
Other expenses	4,606	2,501
	<u>85,646</u>	<u>53,478</u>
Recovery of administrative expenses		4,375
	<u>85,646</u>	<u>49,103</u>
Interest	400	8,962
	<u>86,046</u>	<u>58,065</u>
Loss before special items	53,024	21,218
Add		
Profit on sale of oil and gas interests	50,474	
Profit on sale of interest in West Provost Gas Unit		6,922
Profit on sale of securities	184,966	27,145
	<u>182,416</u>	<u>12,849</u>
Deduct		
Advances for mining development in Mexico written off	523,591	
Unproductive oil and gas lease costs and development expenditures written off	30,946	81,572
General exploration written off	22,583	5,017
Cost of supplementary letters patent	1,662	
Commission on sale of capital stock	28,080	6,480
Cost of release from commitment		9,500
	<u>606,862</u>	<u>102,569</u>
Loss for the year and special items (note 8)	<u>\$ 424,446</u>	<u>\$ 89,720</u>



SPOONER MINES AND OILS LIMITED

STATEMENT OF DEFICIT

YEAR ENDED JUNE 30, 1969

(with comparative figures for the previous year)

	<u>1969</u>	<u>1968</u>
Balance at beginning of year	\$ 307,528	\$ 217,808
Loss for the year and special items	424,446	89,720
Balance at end of year	<u>\$ 731,974</u>	<u>\$ 307,528</u>

STATEMENT OF MINING EXPLORATION EXPENDITURES DEFERRED

YEAR ENDED JUNE 30, 1969

(with comparative figures for the previous year)

	<u>1969</u>	<u>1968</u>
States of Maine and New Hampshire, U.S.A. (note 9)		
Wages, supplies, travel, accommodation and other field work	\$ 68,003	\$ 67,389
Geophysical survey	2,898	2,645
Taxes		10,223
Property options and leases		22,136
Consulting fees	12,000	9,750
Travel	3,857	2,926
Miscellaneous	489	194
	<u>87,247</u>	<u>115,263</u>
Deduct recovery of portion of expenses from participating mining company		42,423
	<u>87,247</u>	<u>72,840</u>
Gaspe area — 45% interest		
Geophysical survey	343	1,617
General exploration	22,583	5,017
	<u>110,173</u>	<u>79,474</u>
Expenditures for the year	209,548	163,966
Balance deferred at beginning of year	<u>319,721</u>	<u>243,440</u>
Deduct		
Amount written off	22,583	5,017
Amount transferred to cost of shares		28,875
	<u>22,583</u>	<u>33,892</u>
Balance at end of year	<u>\$ 297,138</u>	<u>\$ 209,548</u>



SPOONER MINES AND OILS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED JUNE 30, 1969

(with comparative figures for the previous year)

	1969	1968
SOURCE OF FUNDS		
Issue of shares of capital stock for cash	\$1,161,870	\$ 420,376
Sale of interest in West Provost Gas Unit less costs of sale		47,767
Proceeds from sale of oil and gas interests	112,069	
Profit on sale of marketable securities		21,131
Proceeds from sale of shares and notes of other companies	306,767	100,344
Cost of advances, exploration and shares transferred on exchange of assets		109,265
Sale of production equipment	10,673	6,243
Balance of note receivable from Consolidated Factors Corporation		
Limited transferred to current assets	35,000	
	<u>1,626,379</u>	<u>705,126</u>
APPLICATION OF FUNDS		
Operations		
Loss before special items	53,024	21,218
Deduct depletion and depreciation not requiring current outlay		
of funds	10,770	13,937
	<u>42,254</u>	<u>7,281</u>
Oil and gas interests		
Lease acquisition costs	26,810	17,552
Development expenditures	37,259	32,104
Production equipment	6,325	4,911
	<u>70,394</u>	<u>54,567</u>
Advances for mining development in Mexico including portion		
recoverable from other participants	89,646	121,842
Purchase of shares and notes of other companies	60,048	95,000
Shares in New Quebec Mining and Exploration Limited acquired on		
exchange of assets		109,265
Mining exploration expenditures	110,173	79,474
Interest in prospecting syndicates	17,439	10,030
Advances to New Quebec Mining and Exploration Limited for mining		
exploration program	4,434	7,503
Commission on sale of capital stock	28,080	6,480
Other items	5,336	1,326
	<u>315,156</u>	<u>430,920</u>
	<u>427,804</u>	<u>492,768</u>
Increase in working capital	<u>\$1,198,575</u>	<u>\$ 212,358</u>



SPOONER MINES AND OILS LIMITED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1969

1. CONSOLIDATED FACTORS CORPORATION LIMITED

The \$95,000 note receivable from Consolidated Factors Corporation Limited was due on June 30, 1968 but was not presented for payment as the funds were not required for current operations and the note bears interest at 9% after maturity date until paid. During the year ended June 30, 1969, the company received \$60,000 principal plus interest. The balance of the note plus interest was received subsequent to the date of the balance sheet.

2. KODIAK PETROLEUMS LTD.

Subsequent to the date of the balance sheet, debentures of Kodiak Petroleum Ltd. carried at a cost of \$294,000 were converted into 214,285 common shares of the same company.

Under a pooling of interest agreement, these shares will be converted into 171,428 common shares of Manhattan Continental Development Corporation of which 75% cannot be marketed until July 8, 1970.

3. NEW QUEBEC MINING AND EXPLORATION LIMITED

Shares held	June 30, 1969	June 30, 1968
Free shares, at cost	97,000	107,000
Escrowed shares, at nominal value of \$1	480,000	480,000

By an agreement dated June 3, 1969, the company has extended an option to an officer of New Quebec Mining and Exploration Limited to purchase the remaining 97,000 free shares of that company at \$1 per share at the rate of \$1,000 per month for the period June 30, 1969 to December 31, 1969 and at the rate of \$10,000 per month commencing on or before January 31, 1970.

Provided this option is exercised in full, the company has granted a further option to purchase 250,000 escrowed shares of New Quebec Mining and Exploration Limited at 10¢ per share exercisable within 90 days after payment in full for the free shares.

4. OIL AND GAS INTERESTS	June 30, 1969	June 30, 1968
Oil and gas leases, at cost	\$ 89,267	\$ 87,286
Development expenditures deferred	182,679	218,452
Production equipment, at cost	154,046	161,542
	425,992	467,280
Less depletion and accumulated depreciation (note 7)	246,968	250,649
	179,024	216,631
Royalty interests, at cost less depletion	34,641	38,930
Participation in Arctic oil exploration, at cost	49,256	49,256
	<u>\$ 262,921</u>	<u>\$ 304,817</u>

5. CAPITAL STOCK

By supplementary letters patent dated January 30, 1969, the company increased its authorized capital by creating an additional 1,000,000 shares without par value.

During the year ended June 30, 1969, the company issued 266,900 shares of its capital stock for cash of \$1,161,870.

At June 30, 1969 employees held options on:

600 shares at \$.80 per share
5,000 shares at \$1.74 per share
47,500 shares at \$5.76 per share

expiring at various dates up to 1979.

6. CONTINGENT LIABILITY

An action was commenced in the Supreme Court of Ontario on February 20, 1969 by Ursa Polaris Developments Corporation against 20 persons and corporations including the company. The claim against the company is for declarations and an injunction. The company is defending the action which has been set down for trial.

7. DEPLETION AND DEPRECIATION

Where oil and gas reserve figures are available depletion has been provided on the unit of production method at rates calculated to amortize the lease costs and development expenditures in the proportion production bears to estimated reserves of oil and gas. Where reserve figures are not available amortization has been determined arbitrarily.

Depreciation of equipment has been provided as follows:

	Year ended June 30,	
	1969	1968
Production equipment — 10% of cost on the straight line method	\$ 1,653	\$ 4,422
Automobile and office equipment — 30% and 20% respectively on the diminishing balance method	1,693	808
	<u>\$ 3,346</u>	<u>\$ 5,230</u>

Unproductive oil and gas lease costs and applicable deferred development expenditures are written off when it is determined that the lease area is of no further interest to the company.

8. INCOME TAXES

No provision for 1969 income taxes was made as the company claimed for tax purposes costs of oil and gas interests, mining exploration expenditures and depreciation in excess of the amounts charged to income in the accounts. Income taxes for 1969 would otherwise have amounted to approximately \$27,000.

The total amounts remaining to be claimed for tax purposes in future years exceeds the total of costs and expenditures deferred in the accounts at June 30, 1969 by approximately \$40,000.

9. DEFERRED EXPLORATION — STATE OF MAINE, U.S.A.

Pursuant to an agreement dated January 1, 1968, Humble Oil & Refining Company agreed to undertake a program of exploration on certain mining lands in Maine, U.S.A. in which the company has exploration and mining interests.

At June 30, 1969, Humble has expended a total of \$400,000 on this exploration program and Humble has thereby earned a 75% interest in the company's interests.

If either Humble or the company acquires additional property interests in this area on or before December 31, 1971, it shall offer to assign to the other party an interest in the acquired property. The interest so assigned shall be in proportion to the interests set out in the preceding paragraph and the consideration shall be the same proportion of acquisition costs.

10. REMUNERATION OF DIRECTORS

Remuneration of directors amounted to \$19,850 for the year ended June 30, 1969 and \$20,261 for the year ended June 30, 1968.

